

JOINT EMERGENCY COMMUNICATIONS SERVICES
ASSOCIATION OF JOHNSON COUNTY, IOWA

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
SCHEDULE OF FINDINGS

JUNE 30, 2014

JOINT EMERGENCY COMMUNICATIONS SERVICES
ASSOCIATION OF JOHNSON COUNTY, IOWA

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JOINT EMERGENCY COMMUNICATIONS SERVICES
ASSOCIATION OF JOHNSON COUNTY, IOWA

OFFICIALS

(Before January 2014)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
John Lundell	Board Chair	December 2013
Tom Salm	Vice Chair	December 2014
Lonny Pulkrabek	Member	December 2014
Dave Wilson	Member	December 2014
Janelle Rettig	Member	December 2013
Tom Markus	Member	December 2013
Susan Mims	Member	December 2013

(After January 2014)

Susan Mims	Board Chair	December 2015
Terrence Neuzil	Vice Chair	December 2015
John Lundell	Member	December 2015
Lonny Pulkrabek	Member	December 2014
Dave Wilson	Member	December 2014
Tom Markus	Member	December 2015
Chris Hoffman	Member	December 2014

INDEPENDENT AUDITOR'S REPORT

To the Policy Board
Joint Emergency Communications Services Association of Johnson County, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Joint Emergency Communications Services Association of Johnson County, Iowa as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Association's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Joint Emergency Communications Services Association of Johnson County, Iowa, as of June 30, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2014, on our consideration of the Joint Emergency Communications Services Association of Johnson County, Iowa's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Joint Emergency Communications Services Association of Johnson County, Iowa's internal control over financial reporting and compliance.

ANDERSON, LARKIN & CO. P.C.

Ottumwa, Iowa
December 12, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Joint Emergency Communications Services Association of Johnson County, Iowa, provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the Association's financial statements, which follow.

2014 FINANCIAL HIGHLIGHTS

- Entity wide revenues increased \$393,592 in the current year primarily due to an increase in property tax revenue.
- Entity wide expenses decreased \$346,493 in the current year primarily due to a decrease in personnel services.
- Net position decreased \$1,472,404 from \$14,963,779 to \$13,491,375.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Association's financial activities.

The Entity-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of the Association as a whole and present an overall view of the Association's finances.

The Fund Financial Statements tell how governmental services were financed in the short term, as well as what remains for future spending. Fund financial statements report the Association's operations in more detail than the entity-wide financial statements by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

REPORTING THE ASSOCIATION'S FINANCIAL ACTIVITIES

Entity-wide Financial Statements

One of the most important questions asked about the Association's finances is, "Is the Association as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information which helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net Position presents all of the Association's assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference reported as net position. Over time, increases or decreases in the Association's net position may serve as a useful indicator of whether the financial position of the Association is improving or deteriorating.

The Statement of Activities presents information showing how the Association's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The Association's government activities are presented in the Statement of Net Position and the Statement of Activities. Governmental activities include public safety and legal services. Property tax finances most of these activities.

Fund Financial Statements

The Association has one type of fund:

Governmental funds account for all of the Association's basic services. These focus on how money flows into and out of this fund and the balance left at year-end that is available for spending. This fund is reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the Association's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Association's programs.

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

ENTITY-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of financial position. The Association's net position decreased from a year ago, decreasing from \$14,963,779 at June 30, 2013 to \$13,491,375 at June 30, 2014. The analysis that follows focuses on the changes in the net position of governmental activities.

	<u>Statements of Net Position</u>	
	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Current and other assets	\$ 5,025,901	\$ 4,943,419
Capital assets	<u>11,842,137</u>	<u>13,730,850</u>
Total assets	<u>16,868,038</u>	<u>18,674,269</u>
Total liabilities	<u>173,439</u>	<u>191,711</u>
Deferred inflows of resources	<u>3,203,224</u>	<u>3,518,779</u>
Net position	\$ <u>13,491,375</u>	\$ <u>14,963,779</u>

The net position of the Association's governmental activities decreased \$1,472,404 during the year, primarily due to an increase in revenues and a decrease in depreciation expense. The following analysis details the changes in net position resulting from the Association's activities during the years ended June 30, 2014 and 2013.

	<u>Change in Net Position</u>	
	<u>Year ended</u>	
	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Program revenues:		
Charges for service	\$ 31,750	\$ -
General revenues:		
Property tax	3,518,779	3,161,961
Other general revenues	<u>13,721</u>	<u>8,697</u>
Total general revenues	<u>3,532,500</u>	<u>3,170,658</u>
Total revenues	<u>3,564,250</u>	<u>3,170,658</u>
Program expenses:		
Public safety and legal services	<u>5,036,654</u>	<u>5,383,147</u>
Change in net position	(1,472,404)	(2,212,489)
Net position beginning of year	<u>14,963,779</u>	<u>17,176,268</u>
Net position end of year	\$ <u>13,491,375</u>	\$ <u>14,963,779</u>

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

The Association maintains one fund which is shown as a major fund. During the year ended June 30, 2014, net position increased \$422,683, from \$1,290,011 to \$1,712,694. The current year increase is a result of increased revenue over the prior year. Prior year decrease in net position was \$168,995.

CAPITAL ASSETS

At June 30, 2014, the Association had \$11,842,137 invested in capital assets, net of accumulated depreciation of \$8,024,463. This is a net decrease of \$1,888,713, compared to the prior year. Depreciation charges totaled \$1,888,713 for fiscal year 2014. More detailed information about the Association's capital assets is presented in Note 4 to the Financial Statements.

ECONOMIC FACTORS

The Joint Emergency Communications Services Association of Johnson County, Iowa hopes to improve its financial position during the coming fiscal year. However, the current condition of the economy in the State continues to be a concern for Association officials. Some of the realities that may potentially become challenges for the Association to meet are:

The Association's system requires constant maintenance and upkeep.

Technology continues to expand and current technology becomes outdated presenting an on-going challenge to maintain up to date technology at a reasonable cost.

The Association anticipates the current fiscal year will be much like the last and we will maintain a close watch over resources to maintain our ability to react to unknown issues.

CONTACTING THE ASSOCIATION'S FINANCIAL MANAGEMENT

This financial report is designed to provide the citizens, taxpayers, customers and creditors with a general overview of the Association's finances and to show the Association's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Tom Jones, Director, 4529 Melrose Avenue, Iowa City, Iowa 52246.

JOINT EMERGENCY COMMUNICATIONS SERVICES
ASSOCIATION OF JOHNSON COUNTY, IOWA

STATEMENT OF NET POSITION
JUNE 30, 2014

Governmental
Activities

ASSETS:

Cash, cash equivalents and pooled investments	\$ 1,749,284
Receivables:	
Property tax:	
Succeeding year	3,203,224
Prepaid expenses	73,393
Capital assets (net of accumulated depreciation)	<u>11,842,137</u>
TOTAL ASSETS	<u>16,868,038</u>

LIABILITIES:

Accounts payable	19,456
Salaries and benefits payable	90,527
Long-term liabilities:	
Portion due and payable within one year:	
Compensated absences	<u>63,456</u>
TOTAL LIABILITIES	<u>173,439</u>

DEFERRED INFLOWS OF RESOURCES:

Unavailable property tax revenue	<u>3,203,224</u>
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NET POSITION:

Net investment in capital assets	11,842,137
Unrestricted	<u>1,649,238</u>
TOTAL NET POSITION	\$ <u>13,491,375</u>

JOINT EMERGENCY COMMUNICATIONS SERVICES
ASSOCIATION OF JOHNSON COUNTY, IOWA

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for service</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
Governmental activities:			
Public safety and legal services	\$ 5,036,654 ✓	\$ 31,750 ✓	\$ (5,004,904)
Total	\$ 5,036,654	\$ 31,750	(5,004,904)
General revenues:			
Property and other County tax			3,518,779
Unrestricted investment earnings			2,571
Miscellaneous			11,150
Total general revenues			3,532,500 ✓
Change in net position			(1,472,404) ✓
Net position - Beginning of year			14,963,779
Net position - End of year			\$ 13,491,375 T

JOINT EMERGENCY COMMUNICATIONS SERVICES
ASSOCIATION OF JOHNSON COUNTY, IOWA

BALANCE SHEET
GOVERNMENTAL FUND
JUNE 30, 2014

ASSETS

Cash, cash equivalents and pooled investments	\$ 1,749,284
Receivables:	
Property tax:	
Succeeding year	3,203,224
Prepaid expenses	<u>73,393</u>
TOTAL ASSETS	\$ <u>5,025,901</u>

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE

LIABILITIES:

Accounts payable	\$ 19,456
Salaries and benefits payable	<u>90,527</u>
TOTAL LIABILITIES	<u>109,983</u>

DEFERRED INFLOWS OF RESOURCES

Unavailable revenues:	
Succeeding year property tax	<u>3,203,224</u>

FUND BALANCE:

Nonspendable:	
Prepaid expenditures	73,393
Unassigned	<u>1,639,301</u>
TOTAL FUND BALANCE	<u>1,712,694</u>

TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ <u>5,025,901</u>
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JOINT EMERGENCY COMMUNICATIONS SERVICES
ASSOCIATION OF JOHNSON COUNTY, IOWA

RECONCILIATION OF THE BALANCE SHEET -
GOVERNMENTAL FUND TO THE STATEMENT OF NET POSITION
JUNE 30, 2014

Total governmental fund balance	\$ 1,712,694
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$19,866,600 and the accumulated depreciation is \$8,024,463.	11,842,137
Long-term liabilities, including compensated absences payable, are not due and payable in the current year and, therefore, are not reported in the governmental fund.	<u>(63,456)</u>
Net position of governmental activities	\$ <u>13,491,375</u>

JOINT EMERGENCY COMMUNICATIONS SERVICES
ASSOCIATION OF JOHNSON COUNTY, IOWA

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
YEAR ENDED JUNE 30, 2014

REVENUES:

Property and other county tax	\$ 3,518,779
Charges for service	31,750
Use of money and property	2,571
Miscellaneous	<u>11,150</u>
Total revenues	<u>3,564,250</u>

EXPENDITURES:

Operating:	
Public safety and legal services	<u>3,141,567</u>

Change in fund balance	422,683
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Fund balance - Beginning of year	<u>1,290,011</u>
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Fund balance - End of year	<u>\$ 1,712,694</u>
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JOINT EMERGENCY COMMUNICATIONS SERVICES
ASSOCIATION OF JOHNSON COUNTY, IOWA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE -
GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014

Change in fund balance - Total governmental fund	\$ <u>422,683</u>
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental fund reports capital outlays as expenditures while governmental activities reports depreciation expense to allocate those expenditures over the life of the assets. Depreciation expense exceeded capital outlay expenditures in the current year as follows:

Depreciation expense	(1,888,713)
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, as follows:

Compensated absences	<u>(6,374)</u>
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Change in net position of governmental activities	\$ <u>(1,472,404)</u>
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JOINT EMERGENCY COMMUNICATIONS SERVICES
ASSOCIATION OF JOHNSON COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Joint Emergency Communications Services Association of Johnson County, Iowa is established under Chapter 29(c) of the Code of Iowa. The goal of the Association is to provide all residents of Johnson County a single answering point for processing their calls for emergency and non-emergency assistance for police, fire, medical and general service responders and to provide primary communications for all public safety agencies responding within our jurisdictional boundaries, through use of 2-way radios, telephones, and/or teletype equipment. The Association is primarily funded by property taxes.

A Policy Board with a minimum of seven citizens from Johnson County governs the Joint Emergency Communications Services Association of Johnson County, Iowa.

The Association's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, the Joint Emergency Communications Services Association of Johnson County, Iowa has included all funds, organizations, agencies, boards, commissions and authorities. The Association has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Association are such that exclusion would cause the Association's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Association to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Association. The Association has no component units which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

Entity-Wide Financial Statements – The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the Association. Governmental activities are primarily supported by property tax.

The Statement of Net Position present the Association's assets, deferred outflows of resources, liabilities and deferred inflow of resources, with the difference reported as net position. Net position is reported in the following categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction or improvement of those assets.

Unrestricted net position consist of net position not meeting the definition of the preceding category. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. The Association has only one fund and it is reported as a major fund.

JOINT EMERGENCY COMMUNICATIONS SERVICES
ASSOCIATION OF JOHNSON COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting

The entity-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the Association considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the Association.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the Association's policy is to pay the expenditure from restricted fund balance and then from less-restrictive classifications – committed, assigned and then unassigned fund balances.

D. Assets, Deferred Inflows of Resources, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

The succeeding year property tax receivable represents taxes certified by the County Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the entity-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

JOINT EMERGENCY COMMUNICATIONS SERVICES
ASSOCIATION OF JOHNSON COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Deferred Inflows of Resources, Liabilities and Fund Equity (Continued)

Capital Assets – Capital assets, which include property, and equipment and vehicles, are reported in the governmental activities column in the government-wide Statement of Net Position. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend lives are not capitalized. Reportable capital assets are defined by the Association as assets with initial, individual costs in excess of \$5,000 and estimated useful lives in excess of two years.

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset class</u>	<u>Years</u>
Buildings	40
Land improvements	20
Machinery and equipment	3-10

Deferred Inflows of Resources – Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consists of property tax receivable.

Deferred revenue in the Statement of Net Position consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences – Association employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the entity-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2014.

Fund Equity – In the governmental fund financial statements, fund balance is classified as follows:

Nonspendable – Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

JOINT EMERGENCY COMMUNICATIONS SERVICES
ASSOCIATION OF JOHNSON COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Deferred Inflows of Resources, Liabilities and Fund Equity (Continued)

Unassigned – All amounts not included in the preceding classification.

Use of Estimates – Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

NOTE 2: CASH, CASH EQUIVALENTS AND POOLED INVESTMENTS

The Association's deposits in banks at June 30, 2014 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Association is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Policy Board; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Interest Rate Risk – The Association's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the Association.

NOTE 3: RISK MANAGEMENT

The Association is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The Association assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

JOINT EMERGENCY COMMUNICATIONS SERVICES
ASSOCIATION OF JOHNSON COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 4: CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2014 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 50,125	\$ -	\$ -	\$ 50,125
Total capital assets not being depreciated	<u>50,125</u>	<u>-</u>	<u>-</u>	<u>50,125</u>
Capital assets being depreciated:				
Buildings	5,142,716	-	-	5,142,716
Land improvements	9,533	-	-	9,533
Machinery and equipment	14,664,226	-	-	14,664,226
Total capital assets being depreciated	<u>19,816,475</u>	<u>-</u>	<u>-</u>	<u>19,816,475</u>
Less accumulated depreciation for:				
Buildings	385,704	128,568	-	514,272
Land improvements	1,431	477	-	1,908
Machinery and equipment	5,748,615	1,759,668	-	7,508,283
Total accumulated depreciation	<u>6,135,750</u>	<u>1,888,713</u>	<u>-</u>	<u>8,024,463</u>
Total capital assets being depreciated, net	<u>13,680,725</u>	<u>(1,888,713)</u>	<u>-</u>	<u>11,792,012</u>
Governmental activities capital assets, net	\$ <u>13,730,850</u>	\$ <u>(1,888,713)</u>	\$ <u>-</u>	\$ <u>11,842,137</u>

Depreciation expense was charged to the following functions:

Governmental Activities:	
Public safety and legal services	\$ <u>1,888,713</u>

NOTE 5: LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2014 is as follows:

	Compensated Absences
Balance – Beginning of year	\$ 57,082
Increases	63,456
Decreases	<u>(57,082)</u>
Balance – End of year	\$ <u>63,456</u>
Due within one year	\$ <u>63,456</u>

JOINT EMERGENCY COMMUNICATIONS SERVICES
ASSOCIATION OF JOHNSON COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 6: PENSION AND RETIREMENT BENEFITS

The Association contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 5.95% of their annual covered salary and the Association is required to contribute 8.93% of covered salary. Contribution requirements are established by state statute. The Association's contribution to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$138,521, \$139,460 and \$131,341, respectively, equal to the required contributions for each year.

NOTE 7: OPERATING LEASES

The Joint Emergency Communications Services Association of Johnson County, Iowa has leased various sites. These leases have been classified as operating leases and, accordingly, all rents are charged to expense as incurred. The leases have various expiration dates and require various monthly and annual rentals. Certain leases are renewable for additional periods. In most cases, management expects the leases will be renewed or replaced by other leases.

The following is a schedule by year of future minimum rental payments required under operating leases which have initial or remaining non-cancelable lease terms in excess of one year as of June 30, 2014:

<u>Year Ending June 30,</u>	<u>Minimum Rental</u> <u>Payments</u>
2015	\$ 31,284
2016	32,219
2017	30,975
2018	30,877
2019	4,600
Thereafter	<u>2,500</u>
Total	\$ <u>132,455</u>

Total rental expense for the year ended June 30, 2014 for all operating leases was \$26,390.

NOTE 8: EMPLOYEE HEALTH INSURANCE PLAN

The Self Funded Health Plan was established to account for the partial self-funding of the Association's health insurance benefit plan. The plan is funded by both employee and the Association contributions and is administered through a service agreement with Advantage Administrators.

Monthly payments of service fees and plan contributions to the Self Funded Health Plan are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Advantage Administrators from the Self Funded Health Plan. The Association's contribution for the year ended June 30, 2014 was \$10,571.

Amounts payable from the Self Funded Health Plan at June 30, 2014 total \$479, which is for incurred but not reported (IBNR) and reported but not paid claims. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

NOTE 9: RECLASSIFICATIONS

Certain amounts for the year ended June 30, 2013 have been reclassified to conform to June 30, 14 presentation.

NOTE 10: SUBSEQUENT EVENTS

Subsequent events have been evaluated through December 12, 2014, the date the financial statements were available to be issued.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Policy Board of the
Joint Emergency Communications Services Association of Johnson County, Iowa

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Joint Emergency Communications Services Association of Johnson County, Iowa, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Joint Emergency Communications Services Association of Johnson County, Iowa's basic financial statements and have issued our report thereon dated December 12, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Joint Emergency Communications Services Association of Johnson County, Iowa's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Joint Emergency Communications Services Association of Johnson County, Iowa's internal control. Accordingly, we do not express an opinion on the effectiveness of the Joint Emergency Communications Services Association of Johnson County, Iowa's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings as item A to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Joint Emergency Communications Services Association of Johnson County, Iowa's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings.

Joint Emergency Communications Services Association of Johnson County, Iowa's Response to Findings

The Joint Emergency Communications Services Association of Johnson County, Iowa's response to the findings identified in our audit is described in the accompanying schedule of findings. The Joint Emergency Communications Services Association of Johnson County, Iowa's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Joint Emergency Communications Services Association of Johnson County, Iowa during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

ANDERSON, LARKIN & CO. P.C.

Ottumwa, Iowa
December 12, 2014

JOINT EMERGENCY COMMUNICATIONS SERVICES
ASSOCIATION OF JOHNSON COUNTY, IOWA

SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2014

FINDINGS RELATED TO THE FINANCIAL STATEMENTS:

Internal Control Deficiencies:

- (A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that several accounting functions are all done by the same person

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the Association should review its internal control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, and Board members.

Response – We will review procedures and make changes to improve internal control.

Conclusion – Response accepted.

Instances Of Non-Compliance:

No matters were noted.